

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4691-01
Bill No.: SB 878
Subject: Ambulances and Ambulance Districts; Health Care; Taxation and Revenue -
Income
Type: Original
Date: February 22, 2010

Bill Summary: Would allow debts owed to ambulance service providers to be collected from income tax refunds and lottery winnings of patients.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(\$263,362) to Unknown	(\$285,268) to Unknown	(\$293,827) to Unknown
Total Estimated Net Effect on General Revenue Fund	(\$263,362) to Unknown	(\$285,268) to Unknown	(\$293,827) to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	7	7	7
Total Estimated Net Effect on FTE	7	7	7

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of State Courts Administrator**, the **Department of Insurance, Financial Institutions, and Professional Registration**, and the **Excelsior Springs Medical Center** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Department of Health and Senior Services (DOHSS)** assume this proposal would have no fiscal impact on their organization. DOHSS officials also stated that the current tax refund offset procedures for unpaid health care billings, enacted in 2007, have not been implement due to budget concerns. Therefore, DOHSS officials were not able to provide an estimate of the number or amount of unpaid medical care claims that might be anticipated in the proposed offset system.

Officials from the **Department of Revenue (DOR)** assume this proposal would grant DOR the authority to offset an income tax refund in specific situations and provides the order of priority in which offsets would be paid.

The proposal includes provisions for a provider to submit a health care claim to a health care clearinghouse. The patient would receive a notice that the provider intended to refer the unpaid billing to the offset process clearinghouse, and the patient would have a limited time to file a written request for a review prior to the referral. A review officer, appointed by the provider, would review the health care claim at the request of the patient.

ASSUMPTION (continued)

After the review, the provider would submit the claim to the clearinghouse which would then submit the claim to DOR. If DOR can associate that claim with a filer entitled to a refund, DOR would notify the clearinghouse that the refund is eligible for setoff. DOR would also notify the filer, by regular mail, that there would be a setoff against the tax refund. The filer would then have 30 days to request an evidentiary hearing on the offset claim.

If the taxpayer fails does not appeal, DOR could apply the overpayment to the debt and pay the clearinghouse. If the taxpayer files an appeal and alleges a defense to the nature or amount of the claim which requires an evidentiary hearing, the Department would be required to conduct the hearing. At the conclusion of the appeal process DOR would pay the clearinghouse the setoff, minus the DOR collection fee.

DOR officials assume their organization would be required to hold overpayments in suspense from the time the refund is created until the end of the 30 day appeal period.

Administrative Impact

DOR and ITSD-DOR would need to make programming changes to incorporate the proposal's requirements in DOR tax return processing systems. The Department and ITSD-DOR would also need to make programming changes to the DOR notice process as offset notices are currently sent by certified mail. In addition, DOR and ITSD-DOR would need to make programming changes to hold the payment in suspense during the appeal period and to deduct a collection fee.

DOR officials assume that Personal Tax would require one FTE Appeals Referee I (Range 24, Step Q) to conduct hearings, two FTE Revenue Processing Technician I (Range 10, Step L) to process correspondence and do apportionments, and one FTE Accountant II (Range 17, Step P) to administer the money. The Department does not currently include an Accountant II in its pricing structure; this range and step only approximates the actual range and step.

DOR officials also assume that Collections and Tax Assistance would require one FTE Tax Collection Technician I (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line, one FTE Tax Collection Technician I (Range 10, Step L) for every additional 24,000 contacts annually on the non-delinquent tax line, and one FTE Revenue Processing Technician I (Range 10, Step L) for every additional 4,800 contacts annually in the Tax Assistance Offices.

ASSUMPTION (continued)

DOR officials provided an estimate of the cost to implement the proposal including seven additional employees with benefits, equipment, and expenses totaling \$319,026 for FY 2011, \$341,834 for FY 2012, and \$352,090 for FY 2012.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of expense and equipment cost in accordance with OA budget guidelines. Finally, Oversight assumes that a limited number of additional employees could be accommodated in existing office space. If unanticipated costs are incurred as a result the implementation of this proposal or if multiple proposals are implemented which increase DOR costs or workload, resources could be requested through the budget process.

IT Impact

DOR and ITSD-DOR would need to make programming changes to implement the proposal, including a collection assistance fee since DOR does not currently impose any collection fees on offsets.

Oversight notes that this proposal includes similar notice, hearing, and appeal procedure requirements for the provider and for DOR. However, Oversight notes that the provider appeal provisions are limited to an in-house verification process and assumes that the DOR process could have a significant number of appeals and hearings.

Oversight assumes that the proposed DOR collection assistance fee would generate additional revenue but cannot determine whether the revenue generated would offsite the expected DOR costs to operate the notification, appeal, hearing, and transaction costs which implementing this proposal would involve. Oversight will indicate an unknown amount for collection assistance fee revenue.

DOR officials also provided an estimate of the IT cost to implement the proposal totaling \$120,204. The OA-ITSD (DOR) estimate was based on 4,536 programming hours for programming changes to tax processing systems.

ASSUMPTION (continued)

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of normal activity each year. **Oversight** assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Officials from the **Department of Social Services (DOS)** assume this proposal would have no fiscal impact on their organization; however, DOS officials stated that this proposal would change the order in which income tax refund offsets would be applied. Child support debts would have a lower priority than under current provisions, and child support collections for families might be reduced. DOS also noted that their support enforcement program was partly supported by federal incentive payments which could be reduced if support enforcement collections were reduced.

Oversight assumes that any reduction in child support collections would be minimal, and will not indicate any potential fiscal impact from changes in support collections.

Officials from the **Valle Ambulance District** responded to our request for information but did not provide an estimate of the potential fiscal impact to their organization.

Officials from the **Office of Administration, Administrative Hearing Commission** did not respond to our request for information.

Officials from the **Missouri Lottery Commission** assume this proposal would have no fiscal impact to their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Revenue - Department of Revenue</u>			
Collection assistance fees	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Cost - Department of Revenue</u>			
Salaries (7 FTE)	(\$149,410)	(\$184,671)	(\$190,211)
Benefits	(\$78,351)	(\$96,841)	(\$99,747)
Expense and equipment	<u>(\$35,601)</u>	<u>(\$3,756)</u>	<u>(\$3,869)</u>
	<u>(\$263,362)</u>	<u>(\$285,268)</u>	<u>(\$293,827)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$263,362) to Unknown</u>	<u>(\$285,268) to Unknown</u>	<u>(\$293,827) to Unknown</u>
Estimated net FTE impact on General Revenue Fund	7	7	7
 <u>FISCAL IMPACT - Local Government</u>	 FY 2011 (10 Mo.)	 FY 2012	 FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have an impact to small businesses which provide ambulance services, or medical collection services.

FISCAL DESCRIPTION

This proposal would repeal the current authority of the Department of Health and Senior Services to process claims by health care providers against income tax refunds. An alternative collection process would be implemented, similar to current Department of Revenue refund offset procedures.

The proposal would require ambulance service providers to designate a private claim clearinghouse to process setoff requests against taxpayer income tax refunds and lottery winnings, to satisfy unpaid debts for ambulance services. An ambulance service provider would be required to provide specific collection notices, and to provide review and appeal processes for such claims.

The Department of Revenue would be required to provide specific notices to filers and to develop and implement review, appeal, and hearing processes. Collection fees would be added to each claim for the clearinghouse and for the Department of Revenue.

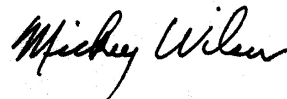
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Health and Senior Services
Department of Insurance, Financial Institutions, and Professional Registration
Missouri Lottery Commission
Department of Revenue
Department of Social Services
Excelsior Springs Medical Center
Valle Ambulance District

NOT RESPONDING

Office of Administration
Administrative Hearing Commission

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 22, 2010